

ABC FINE CIGARS, INC.
d.b.a. ABC FINE CIGARS
MAJOR SHOPPING CENTER
NEW YORK, NY
TENANT SALES AUDIT REPORT
for the thirty-three (33) months
ended December 31, 2001

TENANT SALES AUDIT REPORT

Tenant: ABC Fine Cigars, Inc.
Trade Name: ABC Fine Cigars
Shopping Location: Major Shopping Center
City / State: New York, NY
Period: The thirty-three (33) months
ended December 31, 2001

Client

Company: Major Realty, LLC
Person: Mr. Bill Smith, General Manager
Address: 123 Main Street
City / State: Phoenix, AZ 55555
Date of Examination: April 14, 2002
Date of Report: April 16, 2002

Compu/Audit, Inc.
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Table of Contents

<u>SECTION</u>		<u>PAGE</u>
1	Executive Overview	3
2	Additional Percentage Rent Due	5
3	Tenant Comments	7
4	Examination Scope and Results	8
5	Records -- Required and Provided	9
6	Recording of Sales	13
7	Tenant Sales Reporting	14
8	Recommendations	15

Section 1

Executive Overview

Tenant: ABC Fine Cigars, Inc.
Shopping Center: Major Shopping Center
City: New York, NY
Report Date: April 16, 2002
Landlord: Major Realty, LLC
Management: Major Property Management Co.

1. Audit Period: From April 18, 1999 to December 31, 2001
2. Examination Location: New York, NY
3. Date of Examination: April 14, 2002

4. Total Unreported Sales.....	<u>\$ 45,379</u>
5. Sales in Percentage Rent.....	<u>45,379</u>
6. Percentage Rent Due Landlord.....	<u>2,722</u>
7. Interest Due Landlord.....	<u>787</u>
8. Examination Fee Due Landlord.....	<u>700</u>
9. Grand Total.....	<u><u>\$ 4,209</u></u>

10. Tenant's response to findings:
Tenant agrees with findings.
11. Sales records requested but not provided:
None.
12. Tenant's compliance with Reporting Requirements:
Tenant does not comply with Reporting Requirements, as reported sales are incorrect.

Section 1

Executive Overview (continued)

Comments

Books and records were in good order, and the tenant was exceptionally helpful and cooperative. This single-location tenant has a successful business to consumer website, which has resulted in the unreported sales. The tenant has agreed to discontinue this incorrect sales exclusion. The reporting error was caused by the tenant's belief that non-taxable sales are also non-reported sales. Cash/sales are subject to a thorough internal audit by the tenant. He has established a successful professionally managed niche retail enterprise. The tenant also has wholesale sales to upscale hotels which have been accurately reported. However, the tenant objects to the inclusion in reported sales of wholesale sales. Wholesale sales result in a 10% gross profit margin, which is divided as follows: 6% for percentage rent when applicable, and only 4% to contribute to fixed store expenses. Credit card discounts are properly reported as an operating expense.

Section 2

A

Additional Percentage Rent Due

	Lease Year Ended 12/31/01	21 Month Lease Year Ended 12/31/00
Reported Sales	\$481,513	\$754,359
Findings:		
1. <u>Unreconciled difference</u>	32,993	12,386
Total Findings	32,993	12,386
Subject Sales	514,506	766,745
Break Point	299,600	416,943
Percentage Rent Application	214,906	349,802
	%	%
	6	6
Amount of Percentage Rent	12,894	20,988
Paid Previously	10,915	20,245
Percentage Rent Balance Due	1,979	743

Summary

Additional Percentage Rent Due	\$2,722
Interest Due	787
Examination Fee Due	700
Total Due	<u><u>\$4,209</u></u>

For Additional information, please contact Compu/Audit, Inc. at

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